GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:675
ANSWERED ON:18.11.2016
Food Prices
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that Reserve Bank of India (RBI) rates have zero impact on overall prices in a scenario where every household spends as much as 65 to 68 per cent on food items;

(b) if so, the details thereof;

(c) whether the Government has formulated any policy/propose to formulate any policy with focus on food prices and address relevant infrastructural and institutional issues that impact the cost of all food items; and

(d) if so, the details thereof and the outcome thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) & (b) Price level in the market depends on the interplay of demand and supply factors. The policy repo rates announced by the Reserve Bank of India (RBI) predominantly affects the demand side of the economy. The month-wise Consumer Price Index (CPI) and Consumer Food Price Index (CFPI) based inflation (in per cent) and Policy Repo Rate is given in Table1.

Table 1: CPI and CFPI based inflation and Policy Repo Rate (in per cent)

	Weight	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
CPI	100	5.3	4.8	5.5	5.8	5.8	6.1	5.0	4.4	4.2
CFPI	39.06	5.3	5.2	6.4	7.5	7.8	8.4	5.9	4.0	3.3
Repo Rate		6.75	6.75	6.50	6.50	6.50	6.50	6.50	6.50	6.25

Note: Figures for CPI and CFPI for last month is provisional.
Source: CPI and CFPI from CSO and Repo Rates as announced by RBI on bi-monthly basis.

(c) & (d) The Government has taken a number of measures to control inflation. The steps taken, inter alia, include, (i) increased allocation of Rs. 900 crore for Price Stabilization Fund in the budget 2016-17 to check volatility of prices of essential commodities, in particular of pulses; (ii) created buffer stock of pulses through domestic procurement and imports; (iii) announced higher Minimum Support Prices so as to incentivize production; (iv) issued advisory to States/UTs to take strict action against hoarding and black marketing under the Essential Commodities Act 1955 and the Prevention of Black-marketing and Maintenance of Supplies of Essential Commodities Act, 1980; (v) imposed 20 per cent duty on export of sugar; (vi) imposed minimum export price (MEP) of US$ 360 per tonne on potato; and (vii) reduced import duty on potatoes, wheat and palm oil. Apart from the above, as per the revised Monetary Policy Framework, the Government has fixed the inflation (CPI) target of 4 per cent with tolerance level of +/- 2 per cent for the period beginning from 5th August, 2016 to 31st March, 2021.
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